Blue Lake Township

Kalkaska County, Michigan

Audit Report

For the Year Ended June 30, 2008

Michigan Department of Treasury 496 (Rev.06/08)

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name Blue Lake Township	County Kalkaska	Type Township	MuniCode*
Opinion Date-Use Calendar'	Audit Submitted-Use	Fiscal Year	Fiscal Year* 2008
December 18, 2008	Calendar 12/30/08	End Month' June	

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

X			. Are all required component units/funds/agencies of the reporting entity notes to the financial statements?				in the
X	?	2.	Does the local unit have a positive fund balance in all o	fits	unreserved fund balances	s/unrestricted net assets?	
X	?	3.	. Were the local unit's actual expenditures within the am	our	its authorized in the budg	et?	
X	?	4	. Is this unit in compliance with the Uniform Chart of Acc	our	its issued by the Departme	ent of Treasury?	
X	?	5.	. Did the local unit adopt a budget for all required funds?	?			
又	?		Was a public hearing on the budget held in accordance				
∇	?		. Is the local unit in compliance with the Revised Municip Act, and other guidance as issued by the Local Audit a	and	Finance Division?		in
X	?	8:	Has the local unit distributed tax revenues, that were coproperty tax act?	llec	ted for another taxing uni	t, timely as required by the general	
X	?	9.	Do all deposits/investments comply with statutory req	uire	ments including the adop	ition of an investment policy?	COCT COURT PRESSESSOR
X		10	D. Is the local unit free of illegal or unauthorized expendit Local Units of Government in Michigan, as revised (see	ure Apj	s that came to your attent pendix H of Bulletin.)	ion as defined in the Bulletin for Audi	ts of :
X			 Is the unit free of any indications of fraud or illegal acts been previously communicated to the Local Audit and report under separate cover.) 				
X	?	12	ls the local unit free of repeated reported deficiencies	fror	n previous years? 🔻 📳		
X	?	13.	3. Is the audit opinion unqualified? 14. If not, wha	it ty	pe of opinion is it? NA		
K		15	Has the local unit complied with GASB 34 and other ge	ner	ally accepted accounting p	orinciples (GAAP)?	
	?	16.	Has the board or council approved all disbursements p	rior	to payment as required by	y charter or statute?	
X	?	17.	To your knowledge, were the bank reconciliations that	wei	e reviewed performed tim	nely?	
					, was it attached to the au		
	G	en	neral Fund Revenue: ? 168 701		General Fund Balance: ?	191060	
	G	ien	neral Fund Expenditure: ? 124617		Governmental Activities Long-Term Debt (see		
	М	۱ajo	or Fund Deficit Amount: \$ 0.00		instructions): ?	0 -	

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* DAVID	Last Name BASLER	Ten Digit Lice	nse Number 110101341	8	
CPA Street Address 400 E. Eighth St.	City' Traverse City	State' MI	Zip 49686	Telephone ¹	_• 7-0151
CPA Firm Name' Tobin & Co., PC	Uriit's Street Address*		Unit's City	_	Unit's Zip*

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INTRODUCTORY SECTION

Comments and Recommendations

We have audited the basic financial statements and the individual fund financial statements of Blue Lake Township, Kalkaska County, for the year ended June 30, 2008 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Blue Lake Township taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations.

General

Records were maintained in good condition by your Clerk and Treasurer. Recorded revenues were deposited intact, except for two deposits to the Current Tax Collection fund, journals and ledgers were properly posted, Board minutes were maintained in proper order, and supporting documents and follow-up procedures appeared to be in very good order. The efforts of these officials for 2007-2008 are commendable.

Budgets and Procedures

The Township prepared and formally adopted budgets for its General and Special Revenue Funds. See Note 2, C in the Notes to the Financial Statements.

Highway Improvement Fund

This fund, presented in Schedule 2, is used to account for a 1.2 mil levy for road improvements. Revenue for the year consisted of property taxes, Metro Act monies, and interest. Expenditures were principally \$1,227 for street lighting and \$142,381 for roads. The fund balance at June 30, 2008 was \$124,131.

Fire Fund

This fund, presented in Schedule 3, is used to account for a 1.0000 mil levy for fire protection. Revenues consisted of \$80,850 of property taxes and \$4,176 of interest, and donations. The fund balance at June 30, 2008 was \$113,988.

Trash Pickup Fund

This fund, presented in Schedule 4, is used to account for a .6958 mil levy for trash pickup. Revenues consisted of \$56,256 of property taxes and \$1,871 of earned interest. Expenditures were principally \$48,600 for contractual trash pickup services, and the fund balance at June 30, 2008 was \$68,457.

Improvement Revolving Fund

This fund is permitted by statute and is used to set aside monies for Township improvements. As reflected in Schedule 5, revenues for the year consisted of royalties and rents from oil and tower leases of \$14,658, and earned interest of \$7,680. The fund balance at June 30, 2008 was \$198,537.

Property Tax Collections

2007 property taxes collected were substantially all distributed to taxing units prior to the end of the fiscal year. Schedules 6 and 7 reflect the amount levied, collected, and returned delinquent for the 2007 property tax levy.

Comments and Recommendations

Property Tax Administration Fees

As permitted by statute, an administration fee of 1% was levied on all 2007 property taxes. Fees collected may be used only to offset such property tax administration costs as assessing, collecting and the review and appeal process. As noted in Schedule 8, costs exceeded collections by \$8,524 for the audit year. Costs have exceeded collections on a cumulative basis by \$145,467.

Insurance and Surety Bond Coverage

Records reflect that the Township is insured through Municipal Underwriters of Michigan and has such coverage as fire and extended coverage, general and auto liability, equipment, errors and omissions, crime and workmen's compensation. Coverage was reviewed during the audit year. The Clerk, Treasurer, Deputy Clerk, Deputy Treasurer, and Supervisor have surety bond coverage.

Payroll Procedures

Payroll withholding procedures were properly performed during the audit year and employees received Forms W-2 for the calendar year 2007.

Other Data

We noted the use of daily interest bearing depository accounts by the Treasurer. This practice resulted in earned interest of over \$31,000 for the audit year. Efforts of the Treasurer and other officials in this important area are commendable.

After completion of our audit, we will submit the necessary copies of our report to the State Department of Treasury.

We appreciate the courtesy extended our field examiner in the conduct of this audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

FINANCIAL SECTION

REPORT OF INDEPENDENT AUDITOR

To the Township Board Blue Lake Township Kalkaska County Kalkaska, Michigan 49646

We have audited the accompanying financial statements of the governmental activities and each major fund of Blue Lake Township as of and for the year ended June 30, 2008, which collectively comprise the Township's basis financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities and each major fund of Blue Lake Township at June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis are not a required part of the basic financial statements, but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Table of Contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements of Blue Lake Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

TOBIN & CO., P.C.

Certified Public Accountants

Dobin 9 Q, C.P.

December 18, 2008

BLUE LAKE TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

As the Township Board of the Blue Lake Township, Kalkaska County, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of Blue Lake Township for the fiscal year ended June 30, 2008.

The Blue Lake Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Financial Highlights

The assets of Blue Lake Township exceeded its liabilities at the close of the most recent fiscal year by \$1,655,590. Of this amount, \$696,173 may be used to meet the Township's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year, Township's governmental funds reported combined ending fund balances of \$696,173, an increase of \$49,626 in comparison with the prior year. The entire total amount, \$696,173 is available for spending at the Township's discretion.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$191,060, or 153% of total general fund expenditures.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

Both of the government-wide financial statements show functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Township include: General Government, Public Safety, Road Projects, and Township improvements. Blue Lake Township does not have any business-type activities (examples would include water and sewer, golf courses, etc.).

Statement of Governmental Net Assets:

Net assets may serve over time as a useful indicator of a government's financial position. In the case of Blue Lake Township, assets exceeded liabilities by \$1,655,590 at the close of the most recent fiscal year.

The most significant portion of the Township's net assets, \$959,417 or 58 percent of the total, reflects its investment in capital assets. Blue Lake Township capital assets include the Township hall located on Twin Lake Rd., two fire and rescue barns located on Blue Lake Rd., fire fighting and rescue equipment, computers, and several plots of land located throughout the Township. Intangible assets increased because of recent road paving of county maintained roads by \$125,073. The Township used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The Township's investment in its capital assets has been made over the past several years and no related debt is outstanding.

Statement of Township's Net Assets

	Governmental Activities and Total		
	June 30, 2008	June 30, 2007	
Current and Other Assets	\$ 701,118	\$ 649,847	
Capital Assets	611,187	649,948	
Intangible Assets	348,230	223,157	
Total Assets	1,660,535	1,522,952	
Long-term Liabilities	_	-	
Other Liabilities	4,945	3,305	
Total Liabilities	4,945	3,305	
Net Assets:			
Investment in Capital Assets	959,417	873,105	
Restricted for:	,	,	
Highway Improvement	124,131	165,026	
Fire and Rescue	113,988	99,156	
Trash Pickup	68,457	58,621	
Unrestricted	389,597	323,739	
Total Net Assets	\$ 1,655,590	<u>\$ 1.519,647</u>	

A portion of the Township's net assets (18 percent) represents resources that are subject to external restrictions on how they may be used (Highway, Fire and Rescue, Trash Pickup). The remaining balance of unrestricted net assets, \$389,597, may be used to meet the Township's general ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances for the government as a whole, as well as for its separate governmental activities and funds. The same situation held true for the prior fiscal year.

Statement of Governmental Activities:

Governmental activities increased the Township's net assets by \$135,937, accounting for an 8.95 percent growth in the net assets of the Township.

Statement of Township's Activities

	Bratement of Township a Activities			
		Governmental Activities and Total		
		June 30, 2008	June 30, 2007	
Program Revenues:				
Charges for Services		\$ 8,710	S 9,320	
Operating Grants and Contributions		2,461	3,148	
Capital Grants and Contributions		-	-	
General Revenues:				
Property Taxes		349,347	415,728	
State Shared Revenues		29,265	29,116	
Unrestricted Investment Earnings		31,187	15,910	
Rents and Royalties		14,658	11,194	
Miscellaneous		1,927	424	
Total Revenues		437,555	484,840	
Program Expenses:				
General Government		97,297	114,134	
Public Safety		135,916	137,514	
Public Works		67,239	70,246	
Health and Welfare		1,166	1,091	
Total Expenses		301,618	322,985	
Change in Net Assets		<u>\$ 135,937</u>	<u>S. 161,855</u>	

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Blue Lake Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Blue Lake Township are categorized as governmental funds.

Blue Lake Township maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in bund balances for the General Fund, Township Improvement Fund, Fire and Rescue Fund, Trash Pickup Fund, and Highway Improvement Fund, which are considered to be major funds. All Township government activities are included in these six funds.

The Township adopts an annual appropriated budget for its general fund and special revenue funds.

Governmental Funds

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$696,173, an increase of \$49,626 in comparison with the prior year. This entire total amount constitutes unreserved fund balance, which is available for spending at the Township's discretion.

All Township government activities are included in six funds that Blue Lake Township maintains. The General Fund is used for normal governmental activities such as, paying employees, running election, zoning activities, office supplies, and others. The Township Improvement Fund is used for unbudgeted emergency situations. Fire and Rescue Fund is used to operate, maintain and equip the Fire and Rescue Department. The Trash Pickup Fund is used to pay a contractor to remove residential waste from the Township. The Highway Improvement Fund is used to construct, pave and repave roads within the Township.

Statement of Township's Governmental Funds Fund Balances 2008

Assets	<u>General</u>	Improvement	Fire & Rescue	Trash	Highway	Total
Checking Petty Cash Receivables	\$ 187,126 302 4,715	\$ 198,537 	\$ 115,107 	\$ 68,457 - -	\$ 126,874 	\$ 696,101 302 4,715
Total Assets	<u>\$ 192,143</u>	\$ 198,537	\$ 115,107	\$ 68,457	<u>\$ 126.874</u>	\$ 701,118
Liabilities: Payables Loans Payable	\$ 1,083	\$ - -	\$ 1,119	\$ - -	\$ 2,743	\$ 4,945
Total Liabilities	1,083		1,119		2,743	4,945
Fund Balances: Unreserved Balances	\$ 191,060	<u>\$ 198,537</u>	<u>\$ 113,988</u>	\$ 68,457	<u>\$124,131</u>	<u>\$_696,173</u>

Statement of Township's Governmental Funds Fund Balances 2007

Assets	General	<u>Improvement</u>	Fire & Rescue	Trash	<u>Highway</u>	Fire Equip	<u>Total</u>
Cash in Bank - Checking Petty Cash Accounts Receivable	\$ 147,923 302 886	\$ 176,763 	\$ 99,326 588	\$ 58,621	\$ 164,316 - - 710	\$ - 412	\$ 646,949 302
Total Assets	<u>\$ 149,111</u>	<u>\$ 176,763</u>	\$ 99,914	\$ 58,621	<u>\$ 165,026</u>	<u>\$ 412</u>	\$ 649,847
Liabilities: Accounts Payable Loans Payable Total Liabilities	\$ 2,135	\$ <u>-</u>	\$ 1,170 	\$ - -	\$ - -	\$ - -	\$ 3,305
Fund Balances: Unreserved Balances	\$ 146.976	\$ 176,763	\$ 98,744	\$ 58,621	\$_165,026	\$ 412	\$ 646,542

Statement of Township's Governmental Funds Revenues & Expenditures 2008

	General	<u>Improvement</u>	Fire & Rescue	Trash	Highway	Total
Revenues			_	_		
Grants and Charges	\$ 8,710	\$ -	\$ -	\$ -	S 2,461	\$ 11,171
Property Taxes	115,215	-	80,850	56,256	97,026	349,347
State Shared Revenues	29,265	-	-	-	-	29,265
Investment Earnings	14,238	7,680	4,176	1,871	3,222	31,187
Other Income	1,273	<u>14,658</u>	654	412		<u>16,997</u>
Total Revenues	168,701	22,338	85,680	58,539	102,709	437,967
Program Expenses						
General Government	94,086	320	-	-	-	94,406
Public Safety	29,365	•	65,754	-	-	95,119
Public Works	-	-	-	48,703	1,227	49,930
Health and Welfare	1,166	-		-	-	1,166
Capital Outlay		244	4,683		142,381	<u>147,308</u>
Total Expenses	124,617	564	70,437	48,703	143,608	387,929
Change in Fund Balances	44,084	21,774	15,243	9,836	(40,899)	50,038
Fund Balance - Start of Year	146,976	176,763	98,745	58,621	165,030	646,135
Fund Balance - End of Year	<u>\$ 191,060</u>	<u>\$ 198,537</u>	<u>\$ 113,988</u>	\$ 68,457	<u>\$ 124.131</u>	\$ 696.173

Statement of Township's Governmental Funds Revenues & Expenditures 2007

_	General	<u>Improvement</u>	Fire & Rescue	Trash	Highway	Fire Equip	<u>Total</u>	
Revenues	s 0.330	\$ -	\$ -	\$ -	e 3.140	\$ -	\$ 12.469	
Grants and Charges Property Taxes	\$ 9,320 112,593	5 -	79,911	53,899	\$ 3,148 93,564	75,761	\$ 12,468 415,728	
State Shared Revenues	29,116	_	79,911	33,677	73,304	75,701	29,116	
Investment Earnings	23,061	4,763	4,248	2,345	5,942	901	41,260	
Other Income	337	11,254	27	_,5 .5	-	11,400	23,018	
Total Revenues	174,427	16,017	84,186	56,244	102,654	88,062	521,590	
Program Expenses								
General Government	111,429	-	-	_	-	-	111,429	
Public Safety	27,067	-	64,934		-	-	92,001	
Public Works	-	-	-	54,361	4,662	-	59,023	
Health and Welfare	1,091	•	-	•	-	-	1,091	
Capital Outlay			4,916		71,803	<u> 161,777</u>	238,496	
Total Expenses	139,587		69,850	54,361	76,465	<u> 161,777</u>	502,040	
Excess Revenues (Expenses)	34,840	16,017	14,336	1,883	26,189	(73,715)	19,550	
Other Financing Sources (Uses	5)	100.000	0.540			162 626	262.225	
Operating Transfers In Operating Transfers (Out)	(100,000)	180,000 (<u>8</u> 0,000)	9,549 (83,6 <u>76</u>)	-	-	163,676 (89,549)	353,225	
Operating Transfers (Out)	(100,000)	(50,000)	(83,070)	-	-	(69,349)	(353,225)	
Total	(100,000)	100,000	(74,127)		.	74,127		
Excess Revenues (Expenses)								
and Other Financing Source (Uses)	(65,160)	116,017	(59,791)	1,883	26,189	412	19,550	
Fund Balance – Start of Year	212,136	60,746	158,535	56,738	138,837		626,992	
Fund Balance – End of Year	<u>\$ 146.976</u>	<u>\$ 176,763</u>	<u>\$98,744</u>	\$ 58.621	<u>\$ 165.026</u>	<u>\$ 412</u>	<u>\$ 646.542</u>	

Notes to the Financial Statements

Notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

General Fund - Analysis and Highlights

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund and the total fund balance was \$191,060. Unreserved fund balance represents 153% of total general fund expenditures.

The fund balance of the Township's general fund increased by \$44,084 during the current fiscal year.

The general fund is supported by a millage of .8123 mills (originally 1.00 mills but reduced by the Headlee Amendment). State revenue sharing, tax collection administrative fees and other sources also support this fund.

Differences between the original budget and the final amended budget were minimal. A small change in the appropriated budget was made during the year in the Township Board area due mainly to larger than expected expenses for auditor and insurance. These changes did not change the total budget allocated. The total dollars spent in general fund activities was \$50,126 less than budgeted.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. One noteworthy exception is:

1. No pay raises were given to elected officials in 2007-08. Also in the previous year 2006-07 no pay raises were given. All Township employes have worked without pay raises for the last 3 years. In April 2008 the Board approved a general pay raise of 5% for all Township employees for the year starting July 1, 2008.

Improvement Fund - Analysis and Highlights

The improvement fund is a revolving fund maintained by the Township to pay for any type of improvements in the Township. Oil and gas royalties and lease of land for an Alltel Cellular communications tower generate the majority of revenues for this fund. Also in fiscal year 2006-07 some money from the General fund was transferred to this fund. At the end of the current fiscal year the total fund balance was \$198,537, increasing by \$21,774 during the current fiscal year. Expenses from this fund were minimal during the past year.

It is anticipated that an addition to the Township Hall to increase office and community space will be made in the future and this addition will use some of these funds. Bids for this project were requested for August 2008.

Fire and Rescue Fund - Analysis and Highlights

A voter passed millage of 1.0 mill, that passed on August 1, 2006 maintains the Fire and Rescue fund. This millage is active through the 2010 tax year. The Fire and Rescue department uses this fund for operational and equipment needs. At the end of the current fiscal year the total Fire and Rescue fund balance was \$113,998, increasing by \$15,243 during the current fiscal year. The Fire and Rescue budget was increased by \$4,500 during the year because of higher than expected training costs and increased fuel and truck expenses.

The Fire and Rescue department is also used to accumulate funds to pay for the replacement of equipment and other capital equipment needs. This year, no major purchases were implemented, however, in 2006-07 a new tanker truck was purchased.

Fire Equipment Fund – Analysis and Highlights

In August 2006, an election for one (1.00) mill for one year for fire equipment acquisition occurred and was passed by the voters. This millage paid for approximately ½ of a tanker truck purchased by the fire department in 2006-07. The rest of the funding came from the accumulated savings in the Fire and Rescue Fund. In 2007-08 the remainder of the money in this fund was transferred to the Fire and Rescue fund. This fund has a year-end balance of \$0.

Trash Pickup Fund - Analysis and Highlights

The Trash Pickup Fund is maintained by a voter passed millage of 0.7 mills that expired with the 2007 tax year (this was reduced to 0.6958 by the Headlee Amendment rollback). The Trash Pickup fund is used to pay a contractor (American Waste) to collect and dispose of residential trash. At the end of the eurrent fiscal year, the total Trash Pickup fund balance was \$68,457. The balance of the Township's Trash Pickup fund increased by \$9,424 during the fiscal year. The current millage (collected early in 2008) generates revenues that are adequate to pay for this contract.

A new contract with the supplier was bid out in the Fall of 2007. The new contract approved at the November 2007 meeting of the Board will run for 3 calendar years (2008, 09, 10) and is for \$3,900 per month and is again with American Waste.

Because the current millage will expire in 2008, the voters must approve a new millage in 2008. A proposal has been placed on the August 2008 election ballot at a rate of 0.6 mills for 5 years (2013). This new, and lower, millage rate was set at a level adequate to continue this service. This millage vote passed by an overwhelming majority.

Highway Fund - Analysis and Highlights

In 2003 the voters passed a millage of 1.2 mills that expires in 2010 for use in road and highway improvements. The Highway fund is maintained by this millage. Working with the Kalkaska County Road Commission, the Township uses these funds to pave and repair Township roads. A detailed plan was submitted to the Road Commission showing our scheduled roadwork through 2011. Since 2003, the Township has collected approximately \$453,000 in tax revenues and spent \$476,000 for road paving and repair.

In the current fiscal year, Squaw Lake Road was repaved (Wedge and Cap) with asphalt at a cost of \$136,138. We also had an engineering eontract with the Road Commission (up to \$7,500) to study and plan for the future paving of Gedman Road. At the end of the current fiscal year the total Highway fund balance was \$124,131. The fund balance of the Township's Highway fund decreased by \$40,889 during the current fiscal year.

For the last three years (summers of 2006,2007, 2008) a decision by the Kalkaska Road Commission has prevented the plan to pave Twin Lake Road. The Township had agreed to supplement County Road Commission funds at a rate of \$30,000 per mile when this road is paved. However, due to a lack of funds at the County Road Commission, no repaving work on county roads has been performed. We hope that during the 2009-10 fiscal year (late summer 2009) paving of Twin Lake Road will be completed at a total Township cost of approximately \$75,000.

For next year (2008-09) the current plan is to pave Gedman Road (late summer 2008), a Township road that is currently unpaved. Gedman Road needs considerable improvement and it is expected that only road gravel and widening will be accomplished in 2008.

Capital Asset and Debt Administration

Capital Assets

The Township's investment in capital assets for its governmental activities as of June 30, 2008, amounts to \$899,938 less accumulated depreciation of \$288,751 for a total capital asset value of \$611,187. This investment in capital assets includes: several parcels of land, Township Hall, Fire and Rescue Barns, Fire and Rescue Trucks and Equipment, and Computers. All of our government funds report capital outlays as expenditures. However, the cost of the assets is allocated over their useful life.

Our intangible assets increased \$125,073 due primarily to the paving of Squaw Lake Road. The Township's investment in intangible assets for the governmental activities amounts to \$385,970 less accumulated amortization of \$37,700 for a total of intangible assets of \$348,230.

This year the amount by which capital outlays exceeded depreciation, amortization and loss on disposal of assets was \$86,311.

Cash Assets

At the end of the current fiscal year, the Township had \$710,855 in cash and other spendable assets. Of this amount, \$643,701 (91 percent) was held in a Sweep Fund (Chase Bank) and was receiving interest. The Township is limited by State law in how it can invest these funds.

Long-term Debt

At the end of the current fiscal year, the Township had no bonded or installment debt outstanding.

Pension Plan

Township employees that make more than \$500 per year have the option of having the Township pay Social Security payments or to join our pension plan. The Township makes contributions equal to approximately 10 percent of each employee's wage to Municipal Retirement Systems, Inc. on behalf of the opted employee. This is an expensed item in the budget and totaled \$6,300 for the fiscal year. The Township provides no other employee benefits.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget may mean some reductions in state-shared revenues. The Township only receives Constitutional Revenue Sharing payments and therefore, revenues are expected to remain steady in the 2008-09 fiscal year. The Township budgeted for this state shared revenue.

Home sales in the area have also been light with owners receiving lower prices than expected; this could lower the residential tax base in the Township. Also, ANR Gas Storage Company is constructing a new gas storage plant in the Township that will increase the commercial and personal tax base. Some of this taxable value increase will occur next year but most will be in the following year. The Township's millage rate (normally 1.00 mill) has been reduced by the Headlec Amendment rollback to 0.8123 mills for general operating purposes. These factors were considered in preparing the Township's budget for the 2008-09 fiscal year.

Although a deficit of \$6,452 was budgeted for the 2007-08 fiscal year, the unreserved fund balance in the general fund actually increased by \$44,084. The Township has presented a balanced budget in the 2008-09 fiscal year that projects a deficit of \$7,748. \$7,748 of the unreserved fund balance of \$191,060 was appropriated for 2008-09 fiscal year spending.

New ANR Construction

ANR Gas Storage Co. is expending their gas storage facility on Pflume Road by the addition of a third storage unit. This \$40,000,000 project will positively impact Blue Lake Township's tax collection in the future. It is estimated that the Township taxable value (both real and personal) may increase 10 to 15 million dollars (12 to 18%) due to this expansion. Some of this increase will occur in the 2008-09 fiscal year but most will happen in 2009-10. No tax incentives were given to ANR for this expansion. We estimate that after this plant is completed and on the tax rolls approximately 40 to 45% of the Blue Lake Township tax revenue will be generated by ANR Storage Co.

Township Hall Expansion

In September 2008 the Board voted to accept a bid from Wakefield Construction to add approximately 1100 square feet of office space onto the existing Township Hall. This addition will add 4 offices and a small meeting area. The cost of the improvement was estimated at approximately \$145,000 and the funds will come from the Township Improvement Fund. Also included is an update of both restrooms and community hall area. The current office space will be returned to community hall space once the addition is complete.

Requests for Information

This financial report is designed to provide a general overview of Blue Lake Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Dean McCulloch, Supervisor, Blue Lake Township, 10599 Twin Lake Rd., Mancelona, Michigan 49659 – (231) 587-8354.

Blue Lake Township Statement of Net Assets June 30, 2008

Assets	Primary Government Governmental Activities And Total
Cash Receivables Due from Other Funds Capital Assets Land	\$ 696,403 1,242 3,473
Other Capital Assets, Net of Depreciation	609,482
Total Capital Assets	611,187
Intangible Assets, Net of Amortization	<u>348,230</u>
Total Assets	1,660,535
Liabilities	
Accounts Payable Due to Other Funds	3,862 1,083
Total Liabilities	4,945
Net Assets	
Invested in Capital and Intangible Assets Restricted for:	959,417
Highway Improvements	124,131
Fire Protection	113,988
Trash Pickup Unrestricted	68,457 389, <u>597</u>
Total Net Assets	\$ 1,655,590

Blue Lake Township Statement of Activities June 30, 2008

	Program Revenues				
Functions/Programs	Expenses	Charges For Services	Operating Grants and Contributions	Total	
Governmental Activities:					
Legislative General Government Public Safety Public Works Health and Welfare	\$ 11,195 86,102 135,916 67,239 1,166	\$ - 8,710 - - -	2,461	\$ (11,195) (77,392) (135,916) (64,778) (1,166)	
Total Governmental Activities	<u>\$ 301,618</u>	<u>\$ 8.710</u>	\$ 2,461	(290,447)	
General Revenues: Property Taxes State Shared Revenues Unrestricted Investment Earnings Unrestricted Rents and Royalties Miscellaneous				349,347 29,265 31,187 14,658 1,927	
Total General Revenues				426,384	
Change in Net Assets Net Assets – Beginning				135,937 1,519,653	
Net Assets - Ending				<u>\$ 1,655,590</u>	

Blue Lake Township Balance Sheets Governmental Funds June 30, 2008

Assets	General	<u>Ir</u>	Highway nprovement	_	Fire		Frash Fickup		provement Revolving	Fire Equipment	_	Total
Cash in Bank Petty Cash Accounts Receivable Due from Other Funds	\$ 187,12 30 1,24 3,47	2 2	126,874	\$	115,107	\$	68,457 - -	\$	198,537	\$ - - -	\$	696,101 302 1,242 3,473
Total Assets	<u>\$ 192,14</u>	<u>s</u>	126,874	<u>\$</u>	115,107	<u>\$</u>	68,457	<u>\$</u>	198,537	<u> </u>	<u>\$</u>	701.118
Liabilities and Fund Balances												
Liabilities: Accounts Payable Due to Other Funds	\$ 1,08	- \$ <u>3</u> _	2,743	\$	1,119	\$ 	<u>.</u>	\$	<u>.</u>	\$ - -	\$	3,862 1,083
Total Liabilities	1,08	3_	2,743	_	1,119			_			_	4,945
Fund Balances: Special Revenue Funds General Fund	191,06	-	124,131		113,988		68,457	_	198,537	<u>-</u>	_	505,113 191,060
Total Fund Balances	191,06	_	124,131	_	113,988		68,457	_	198,537	-		696,173
Total Liabilities and Fund Balances	\$ 192,14		126,874	<u>\$</u>	115,107	<u>\$</u>	68.457	<u>\$</u>	198,537	<u>s -</u>		
Amounts reported for governm Capital assets used in govern								orted	in the funds	i.	_	959,417
Net assets of governmental act	tivities.										<u>\$</u>	1,655,590

Blue Lake Township Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2008

	_ <u>G</u>	eneral		lighway provement		Fire		rash ickup		rovement volving		Fire ipment	_	Total
Revenues Taxes Licenses and Permits	\$	115,215 2,735	\$	97,026	\$	80,850	\$	56,256	\$	-	\$	-	\$	349,347 2,735
State Grants		29,265		2,461		_		-				-		31,726
Charges for Services		5,375		2,401								-		5,375
Fines and Forfeits		600		_		-				-		-		600
Interest and Rents		14,238		3,222		4,176		1,871		22,338		-		45,845
Other	_	1,273			_	654	_						_	1,927
Total	_	168,701		102,709		85,680		58,127		22,338			_	437,555
Expenditures														
Legislative		11,195		_		_				-		-		11,195
General Government		67,515		-		-		-		320		-		67,835
Public Safety		29,365		-		65,754		-		-		-		95,119
Public Works		-		1,227		-		48,703		-		-		49,930
Health and Welfare		1,166		-		-		-		-		-		1,166
Other		15,376		-		-		•		-		-		15,376
Capital Outlay	_			142,381	_	4,683		-	_	244			_	147,308
Total	_	124,617		143,608		70,437		48,703	_	<u>564</u>			_	387,929
Excess Revenues (Expenditure	<u>s)</u>	44,084		(40,899)		15,243		9,424		21,774		-		49,626
Other Financing Sources (Uses)													
Operating Transfers In				_		_		412				-		412
Operating Transfers (Out)	_	<u> </u>								<u> </u>		(412)	_	(412)
Total	_		_			<u>-</u>		412				(412)	_	<u>-</u>
Excess Revenues (Expenditure and Other Financing Sources (Uses)		44,084		(40,899)		15,243		9,836		21,774		(412)		49,626
Fund Balance – Beginning of Year	_	146,976	_	165,030		98,745		58,621		176 <u>,763</u>		412		
Fund Balance – End of Year	\$	191.060	\$	124.131	<u>\$</u>	113.988	\$	68,457	\$	<u> 198.537</u>	<u>\$</u>	<u>-</u>		
Governmental funds report cap	ital	outlays as ex	cpendi	tures. Howe	ever, i	in the staten	nent of	activities th	ne cost	of those a	ssets			

Sovernmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets over their estimated useful lives are reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation, amortization and loss on disposal of assets in the current year.

86,311

Change in Net Assets of Governmental Activities.

\$ 135<u>.9</u>37

Blue Lake Township Statement of Fiduciary Net Assets June 30, 2008

Assets	Agency Funds
Cash	\$ 14 <u>,452</u>
Total Assets	<u>\$ 14.452</u>
Liabilities	
Undistributed Taxes and Interest	\$ 14 <u>,452</u>
Total Liabilities	<u>\$ 14.452</u>
Net Assets	\$

Blue Lake Township Notes to Financial Statements June 30, 2008

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Blue Lake Township is a general law township located in Kalkaska County. Population as of the 2000 census was 428, and the current taxable value is \$80,395,948.

The Township's basic financial statements include the accounts of all Township operations. The criteria for including organizations within the Township's reporting entity, as set forth in GASB No. 14, "The Financial Reporting Entity" includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Township. The effect of interfund activity, within the governmental activities column, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Township has presented the following governmental funds:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions or grants, and other intergovernmental revenues.

<u>Special Revenue Funds</u> – These funds are used to account for specific governmental revenues (other than expendable trusts and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

Blue Lake Township Notes to Financial Statements June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement foeus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

D. Budgets

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the required supplementary schedules for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township.

In the body of the financial statements and the required supplementary schedules, the Township's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets for these funds were adopted to the activity or cost center level.

For budgetary purposes appropriations lapse at fiscal year end.

E. Capital Assets

Capital assets, which includes property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$1,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings 40 years Machinery and Equipment 5-22 years

Blue Lake Township Notes to Financial Statements June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Tax Procedures and Collections

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 1. Real property taxes are collected by the Township Treasurer through February 28 of each year. As of March 1, uncollected real property taxes are returned delinquent to, and collected by, the County Treasurer. Personal property taxes remain the responsibility of the Township Treasurer to collect. It is the policy of the Township to record the real property taxes in the year of levy.

During the collection period prior to March 1, the Township Treasurer makes distribution of the property tax collections to the various taxing units (County, School District, etc.) as required by statute.

For the fiscal year the Township levied property taxes as follows:

		Taxable	Millage
	SEV	<u>Value</u>	Rate
General Operating	\$118,026,500	\$80,395,948	.8123
Trash Pickup	\$118,026,500	\$ 80,395,948	.6958
Fire Operations	\$118,026,500	\$ 80,395,948	1.0000
Highway Improvement	\$118,026,500	\$ 80,395,948	1.2000

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of eontingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.
- B. All funds had positive fund balances at June 30, 2008.
- C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended June 30, 2008, no cost centers overexpended their budgets without formal Board amendment.

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).

Blue Lake Township Notes to Financial Statements June 30, 2008

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

A. Legal Provisions for Deposits and Investments (Continued)

- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) Repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

B. Types of Deposits and Investments

The Township had \$734,403 deposited with a local financial institution at June 30, 2008 with a carrying value of \$710,553. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per financial institution, the Township had \$543,701 of uninsured deposits at June 30, 2008.

NOTE 4 - CAPITAL/INTANGIBLE ASSETS

Capital assets of governmental activities consisted of the following at June 30,

	6/30/07	Additions	Deletions	6/30/08		
Land	\$ 1,705	\$ -	\$ -	\$ 1,705		
Buildings	262,720	-	-	262,720		
Vehicles and Equipment	631,495	4,018	<u>-</u>	635,513		
• •	895,920	4,018	-	899,938		
Less Accumulated Depreciation	(245,972)	(42,779)		(288,751)		
·						
	<u>\$649.948</u>	<u>\$ (38.761</u>)	<u>s</u>	<u>\$ 611.187</u>		

Intangible assets at June 30, 2008 consisted of major improvements to roads owned and maintained by Kalkaska County.

		6/30/07	A	dditions	Delei	tions	6/30/08		
Road Improvements	\$	243,549	\$	142,381	\$	-	\$	385,930	
Less Accumulated Amortization	_	(20,392)	_	(17,308)			_	(37,700)	
	\$	223,157	\$	125,073	\$		<u>s</u> _	348,230	

NOTE 5 - INVENTORIES

Blue Lake Township does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses when purchased.

NOTE 6 - PENSION PLAN

The Township maintains a defined contribution money purchase pension plan for Michigan Township employees under contract with Municipal Retirement Systems, Inc. Listed below is a summary of the significant plan provisions adopted by Board Resolution in July 1991, and amended in July 2001:

Blue Lake Township Notes to Financial Statements June 30, 2008

NOTE 6 - PENSION PLAN (Continued)

A. Eligibility Requirements

- 1. Attained age of 18.
- 2. No minimum service requirement.
- 3. All Township officials and employees earnings over \$500 annual compensation.
- 4. Twelve employees were eligible for the 2006-2008 plan year.

B. Contributions

- 1. Approximately 10% of annual compensation funded 100% by the Township on an annual basis.
- 2. Compensation determined by the wages for the fiscal year coinciding with or ending within the Plan year.

C. Vesting

1. Contributions are vested to the employee immediately upon early retirement, termination of service, death, disability, or normal retirement at 100%.

D. Plan Administration

1. The plan is administered by Municipal Retirement Systems, Inc. During the year of audit, the total Township contributions paid for the plan year, August 20, 2007 to August 19, 2008, were \$6,300. Covered payroll was \$60,631 out of a total Township payroll of \$68,129 for the audit year.

NOTE 7 - PROPERTY TAX ADMINISTRATION FEES

The Township levied the 1% administration fee permitted by statute on all 2007 property taxes. This fee may be used only to offset such property tax administration expenses as assessing, collecting, and the review and appeal process. For the audit year, costs exceeded collections by \$8,524. Records reflect accumulated costs over collections of \$145,467. See Schedule 8.

NOTE 8 - ECONOMIC DEPENDENCY

\$105,198 of 2007 property taxes and \$11,763 of 2007 property tax administration fees were received from Blue Lake Gas/ANR Storage and Pipeline. This represents approximately 35% of the total combined 2007 property taxes and property tax administration fees.

NOTE 9- RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Township addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

NOTE 10- COMPENSATED ABSENCES

The Township provides no compensated absences for its employees.

SUPPLEMENTAL DATA SECTION

Blue Lake Township Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General Fund

Schedule 1 Page 1

For the Year Ended June 30, 2008

Revenues	Budgetary Amounts Original Final						Variance Favorable (Unfavorable)	
Taxes: Current Taxes Delinquent Taxes	\$	61,000 2,000	\$	61,000 2,000	\$	62,832 3,677	\$	1,832 1,677
Penalties and Interest on Taxes Property Tax Administration Fees Swamp Tax		200 26,000 14,446		200 26,000 14,446		129 34,143 14,434		(71) 8,143 (12)
Licenses and Permits: Permits		2,000		2,000		2,735		735
State Grants: State Shared Revenues		27,000		27,000		29,265		2,265
Charges for Services: Summer Tax Collection		5,000 540		5,000 540		5,235 140		235 (400)
Fees Fines and Forfeits: Fines		340		340 -		600		600
Interest and Rents: Interest		3,900		3,900		14,238		10,338
Other: Refunds and Reimbursements		-		-		1,246 27		1,246 27
Miscellaneous Total Revenues		142,086		142,086		168,701		26,615
Expenditures								
Legislative: Township Board:								
Salaries and Wages Supplies		•				3,214 279		-
Audit and Accounting		-		•		5,702 300		
Legal Dues Publication		-				1,442 41		•
Other	_	<u>-</u>	_		_	217	-	
Total	_	9,740	_	9,740	_	11,195	_	(1,455)
Total Legislative	_	9,740	_	9,740	_	11,195	_	(1,455)
General Government: Township Supervisor:						0.534		
Salaries and Wages Education Mileage		-		-		9,534 40 307	_	- - -
Total		10,100		10,100	_	9,881		219

Blue Lake Township Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General Fund For the Year Ended June 30, 2008

Schedule 1 Page 2

	Budgetary Amounts						
Expenditures (Continued)	<u>Original</u>	Final	<u>Actual</u>	(Unfavorable)			
General Government (Continued):							
Elections:			1.742				
Salaries and Wages	-	•	1,743	-			
Supplies	-	•	203	•			
Postage	-	-	592	-			
Education	-	-	160	-			
Mileage	-	-	257	-			
Publication	-	-	13	-			
Other		-	533	•			
Total	6,600	6,600	3,501	3,099			
Assessor:			420				
Supplies	-	•	430	-			
Postage	-	-	507	•			
Education	-	-	225	-			
Professional Services	-	-	284	-			
Contractual Services		-	10,850				
Total	16,760	16,760	12,296	4,464			
Clerk:							
Salaries and Wages	_		11,289				
Supplies	_		326	-			
Mileage	-		17	_			
Other	-	-	90	-			
Total	13,929	13,929	11,722	2,207			
Board of Review:							
Salaries and Wages	-		646	-			
Publication	-	-	107	•			
Other	-		4				
Total	1,125	1,125	<u>757</u>	368			
Treasurer:							
Salaries and Wages			12,468	-			
Supplies	-		2,400	_			
Postage	-	-	1,751				
Mileage	_	_	375	_			
Other	_	_	1,038	_			
			050	<u>-</u>			
Total	19,537	19,537	18,032	1,505			

Blue Lake Township Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General Fund

Schedule 1 Page 3

For the Year Ended June 30, 2008

Expenditures (Continued)	Budgetary J Original	Amounts Final	Actual	Variance Favorable (Unfavorable)
General Government (Continued):				
Township Hall and Grounds: Salaries and Wages Supplies Postage Contractual Services Telephone Publication Public Utilities Maintenance and Repairs Other	- - - - - -	- - - - - -	200 249 174 4,160 1,713 902 2,293 1,610	- - - - - -
				7.024
Total	20,650	19,150	11,326	7,824
Total General Government	<u>88,701</u>	<u>87,201</u>	67,515	<u>19,686</u>
Public Safety: Police Protection: Contractual Services	12,000		<u>11,748</u>	
Total	12,000	12,000	11,/40	232
Planning: Salaries and Wages Postage Professional Services Total	7,926	- - - - 7,926	1,587 42 5,136	- - - - 1,161
	7,720	7,720	0,700	1,101
Zoning: Salaries and Wages Supplies Postage Professional Services Mileage Publication Other	- - - - -	- - - - - -	8,402 421 116 1,260 554 93	- - - - - - -
Total	12,401	12,401	10,852	1,549
Total Public Safety	32,327	32,327	29,365	2,962

Blue Lake Township Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General Fund For the Year Ended June 30, 2008

Schedule 1 Page 4

Expenditures (Continued)		Budgetary Original	Actual	Variance Favorable (Unfavorable)	
Health and Welfare: Salaries and Wages Hospital Subsidy Mileage		<u>.</u>	· · · · · ·	290 773 103	
Total Health and Welfare		1,370	1,370	<u>1,166</u>	204
Other: Employee Benefits and Insurance		<u>15,490</u>	16,990	15,376	1,614
Total Other		15,490	16,990	<u>15,376</u>	1,614
Capital Outlay		500	500		500
Total Expenditures		148,128	148,128	124,617	23,511
Excess Revenues (Expenditures)		(6,042)	(6,042)	44,084	50,126
Other Financing Sources (Uses)					
Operating Transfers In Operating Transfers (Out)		<u>-</u>	<u>.</u>	<u> </u>	<u>. </u>
Total					
Excess Revenues (Expenditures) and Other Financing Sources (Uses)	(1)	\$ (6,042)	\$ (6,042)	44,084	\$ 50,126
Fund Balance - Beginning of Year				146,976	
Fund Balance – End of Year				\$ 191,060	

The Notes to the Basic Financial Statements are an integral part of this statement.

(1) Budgeted from Fund Balance

Blue Lake Township Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Highway Improvement Fund For the Year Ended June 30, 2008

Schedule 2

Revenues		Budgetary Amounts Original Final					Actual	Variance Favorable (Unfavorable)		
Taxes: Current Taxes Delinquent Taxes State Grants: Metro Act Bankhead Jones Interest and Rents:		\$	90,000 2,000 1,900 1,200	\$	90,000 2,000 1,900 1,200	\$	92,825 4,201 1,927 534	\$	2,825 2,201 27 (666)	
Interest Total			500 95,600		500 95,600	_	3,222	_	2,722 7,109	
Expenditures							<u> </u>			
Roads Street Lighting			<u>-</u>		<u>-</u>		142,381 1,227		<u>-</u>	
Total			162,000	_	162,000		143,608	_	18,392	
Excess Revenues (Expenditures)	(1)	<u>\$</u>	(66,400)	<u>\$</u>	(66,400)		(40,899)	<u>\$</u>	25,501	
Fund Balance - Beginning of Year						_	165,030			
Fund Balance - End of Year						\$	124,131			

⁽¹⁾ Budgeted from Fund Balance

Schedule 3

Blue Lake Township Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Fire Fund

For the Year Ended June 30, 2008

Revenues	Budgetary Amounts Original Final					Actual_	Variance Favorable (Unfavorable)		
Taxes:									
Current Taxes	\$	75,000	\$	75,000	\$	77,353	\$	2,353	
Delinquent Taxes	•	2,000	•	2,000	•	3,497		1,497	
Interest and Rents:									
Interest		4,000		4,000		4,176		176	
Other:						454		ć	
Refunds and Reimbursements	_	.	_	<u>-</u>	_	654	_	654	
Total Revenues		81,000		81,000	_	85,680		4,680	
Expenditures									
Salaries and Wages						19,854		-	
Fringe Benefits		-		-		1,728			
Supplies		-		-		6,725			
Postage		-		-		20		-	
Contractual Services		-		-		3,300		-	
Telephone		-		-		705		-	
Education		-		-		4,062		-	
Mileage		-		•		1,940		-	
Insurance		-		-		12,852		-	
Public Utilities		•		-		4,870		-	
Maintenance and Repairs Other		•		-		9,218 480		-	
Capital Outlay		-		•		4,683		•	
Capital Odday			_	<u> </u>	_	4,003		······································	
Total Expenditures		65,225		69,725	_	70,437		(712)	
Excess Revenues (Expenditures)		15,775		11,275		15,243		3,968	
Other Financing Sources (Uses)									
Operating Transfers In				_				_	
Operating Transfers (Out)			_		_	<u>-</u>		<u>-</u>	
Total				<u>-</u>		-		-	
Excess Revenues (Expenditures) and Other Financing Sources (Uses)	<u>\$</u>	15,775	<u>\$</u>	11,275		15,243	<u>\$</u>	3,968	
Fund Balance – Beginning of Year						98,745			
Fund Balance - End of Year					<u>s</u>	113.988			

Blue Lake Township Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Trash Pickup Fund For the Year Ended June 30, 2008

Schedule 4

	E	Budgetary Amounts				Actual		Variance Favorable (Unfavorable)	
Daviagues	_Orig	Original		Final					
Revenues									
Taxes: Current Property Taxes Delinquent Property Taxes	\$	52,300 1,894	\$	52,300 1,894	\$	53,820 2,436	\$	1,520 542	
Interest and Rents: Interest		2,811		2,811	_	1,871		<u>(940</u>)	
Total		57,005		57,005	_	58,127	_	1,122	
Expenditures									
Contractual Other		<u>-</u>		<u>.</u>	_	48,600 103	_	<u>.</u>	
Total		<u>52,400</u>		52,400		48,703		3,697	
Excess Revenues (Expenditures)		4,605		4,605		9,424		4,819	
Other Financing Sources (uses)									
Operating Transfers In Operating Transfers (Out)	-	- 		· -		412		412	
Total		-				412		412	
Excess Revenues (Expenditures) and Other Financing Sources (Uses)	<u>\$</u>	4.605	<u>\$</u>	4,605		9,836	<u>\$</u>	5,231	
Fund Balance - Beginning of Year						58,621			
Fund Balance – End of Year					<u>S</u>	68,457			

Blue Lake Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Improvement Revolving Fund
For the Year Ended June 30, 2008

Schedule 5

Revenues	Budgetar Original	Amounts Final	Actual	Variance Favorable (Unfavorable)	
1.44-Villags					
Interest and Rents: Interest Royalties	\$ 4,463 13,414	\$ 4,463 13,414	\$ 7,680 14,658	\$ 3,217 1,244	
Total	<u>17,877</u>	<u>17,877</u>	22,338	4,461	
Expenditures					
Professional Services Capital Outlay	-	<u>.</u>	320 244	<u>.</u>	
Total	5,000	5,000	564	4,436	
Excess Revenues (Expenditures)	12,877	12,877	21,774	8,897	
Other Financing Sources (Uses)					
Operating Transfers In Operating Transfers (Out)		<u>.</u>	<u>.</u>	<u>.</u>	
Total				.	
Excess Revenues (Expenditures) and Other Financing Sources (Uses)	<u>\$ 12,877</u>	<u>\$ 12,877</u>	21,774	<u>\$ 8.897</u>	
Fund Balance - Beginning of Year			<u> 176,763</u>		
Fund Balance - End of Year			<u>\$ 198,537</u>		

Blue Lake Township Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Fire Equipment Fund For the Year Ended June 30, 2008

Schedule 6

Revenues	Budgetary Amounts Original Final	Actual	Variance Favorable (Unfavorable)
Total	<u> </u>	\$	<u>\$</u>
Expenditures			
Total	_	<u> </u>	
Excess Revenues (Expenditures)		<u>.</u>	
Other Financing Sources (Uses)			
Operating Transfers In Operating Transfers (Out)	· · ·	(412)	<u>(412</u>)
Total		(412)	(412)
Excess Revenues (Expenditures) and Other Financing Sources (Uses)	<u>s - s -</u>	(412)	<u>\$ (412)</u>
Fund Balance – Beginning of Year		412	
Fund Balance – End of Year		<u>\$</u>	

Blue Lake Township Statement of Changes in Assets and Liabilities Current Tax Collection Fund For the Year Ended June 30, 2008

Schedule 7

Assets	Balance _6/30/07	Additions	<u>Deductions</u>	Balance 6/30/08
Cash	\$ 31,779	\$ 3,054,172	\$ 3,071,499	\$ 14,452
Total Assets	<u>\$ 31,779</u>	\$ 3,054,172	<u>\$ 3.071,499</u>	<u>\$ 14,452</u>
<u>Liabilities</u>				
Undistributed Taxes and Interest	<u>\$ 31,779</u>	\$ 3,054,172	\$ 3,071,499	<u>\$ 14,452</u>
Total Liabilities	<u>\$ 31,779</u>	\$ 3,054,172	\$ 3.071,499	<u>\$ 14,452</u>

Blue Lake Township 2007 Property Tax Levy and Collections For the Year Ended June 30, 2008

Schedule 8

	Millage Rate	Adjusted Levy	Collected	Returned Delinguent
County	6.4538	\$ 522,040	\$ 500,898	\$ 21,142
County Transit	0.2500	20,225	19,334	891
Sportsplex	0.7300	59,078	56,465	2,613
Hospital	1.6000	129,553	123,768	5,785
State Education	6.0000	485,609	466,037	19,572
School District	19.7500	1,351,819	1,312,994	38,825
Intermediate School District	2.9334	237,425	227,813	9,612
Township - General	0.8123	65,739	62,832	2,907
- Trash Pickup	0.6958	56,309	53,820	2,489
- Fire Operations	1.0000	80,928	77,353	3,575
- Highway Improvement	1.2000	97,119	92,825	4,294
Total		\$ 3,105,844	\$ 2,994,139	<u>\$_111,705</u>

Percent of Levy Collected 96.40%

Schedule 9

Blue Lake Township Statement of Revenues, Expenditures and Balance Property Tax Administration Fees For the Year Ended June 30, 2008

Revenues

Property Tax Administration Fees Summer Tax Collection Fees	s	34,143 5,235
Total Revenues		39,378
Expenditures		
Assessor Board of Review Treasurer Supervisor Clerk Zoning Town Hall and Grounds Employee Benefits and Insurance		12,296 757 13,986 4,798 917 1,395 7,580 6,173
Total	_	47,902
Excess Revenues (Expenditures)		(8,524)
Excess Revenues (Expenditures) – Prior Years		(136,943)
Accumulated Excess Revenues (Expenditures)	<u>\$</u>	(145,467)



To the Township Board Blue Lake Township

We have audited the financial statements of Blue Lake Township for the year ended June 30, 2008 and have issued our report thereon dated December 18, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 5, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable but not absolute assurance, and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist but not be detected by us.

As part of our audit, we considered the internal control of Blue Lake Township. Such consideration was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Internal Control

In planning and performing our audit, we considered the internal control over financial reporting of the Township as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood

that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider each of the following significant deficiencies to be a material weakness.

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the administrative staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected in the normal course.

Reporting Financial Data

The above definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles ("GAAP"). As a matter of convenience, the Township has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Township has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Township has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other townships of its size.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Blue Lake Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-2008. We noted no transactions entered into by the Township during the year that were both significant and unusual and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. However, none of management's estimates are considered to be particularly sensitive.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicates matters that could have a significant effect on the Township's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered a significant difficulty in performing and completing our audit. Several deposits in both the common checking account and the property tax checking account were not receipted or were receipted incorrectly. These lead to additional time spend by us in reconciling these accounts.

This information is intended solely for the use of the Township Board and management of Blue Lake Township and is not intended to be and should not be used by anyone other than these specified parties.

Tobin & Co., P.C.

Tobia & lo, C.C.

December 18, 2008